

Decision No. 11465.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
NATOMAS WATER COMPANY, a corporation,  
for the ascertainment by the Railroad  
Commission of the State of California  
of the value of its property, and for  
an order of the Railroad Commission  
fixing a just and reasonable schedule  
of rates and charges for the public  
services rendered by the said corpor-  
ation.

APPLICATION NO. 6975.

Charles W. Slack and Edgar T. Zook,  
by Edgar T. Zook, for applicant.  
Devlin and Devlin, by A. J. Ashen,  
for Creston Land Company, and  
Earl Fruit Company, protestants,  
Elliott and Atkinson and W. A. Sitton,  
by Frank F. Atkinson and W. A.  
Sitton for water users on the  
Valley Lateral and Mormon Island  
Lateral, protestants.

MARTIN, COMMISSIONER.

#### O P I N I O N

The Natomas Water Company, applicant in the above entitled matter, is a corporation engaged in the business of supplying water as a public utility to consumers in the town of Folsom for domestic purposes and water for irrigation use in both El Dorado and Sacramento counties. In addition to this, water is supplied to the Natomas Company of California for the operation of gold dredges.

The Natomas Water Company is owned and controlled by the Natomas Company of California, a corporation, whose principal business is the operation of dredges for the mining of gold in Sacramento County.

The applicant in this matter alleges that the income received

for the service rendered by it is wholly inadequate, and does not yield a fair return upon the value of its properties; that it is impossible to further reduce its operating expenses; and that the rates now charged for water service are far below the rates received by any other public service corporation of the same character in Northern or Central California. The Commission is therefore asked to ascertain the value of the applicant's property and establish such rates as may be just and equitable for the service rendered.

Public hearings in this matter were held in Sacramento and San Francisco before Commissioner Martin. All interested parties were given an opportunity to be present and be heard.

The main canal of this system was originally constructed for mining purposes by the Natoma Water and Mining Company, which built a brush and earth-filled dam and made the first appropriation of water from the South Fork of the American River at a point about two miles above the former mining town of Salmon Falls in El Dorado County. Fifteen miles of ditches were completed and in operation by the end of the year 1853.

The owners of the original system incorporated in 1853 under the name of the Natoma Water and Mining Company, and subsequently acquired title to several thousand acres of land, approximately 11,000 acres of which were part of the Rancho de los Americanos. The stockholders of the above company organized the Natoma Vineyard Company, which was incorporated September 6, 1888.

By deed dated May 15, 1890, recorded October 1, 1890, the Natoma Water and Mining Company transferred to the Natoma Vineyard Company certain lands which were described as lying south of Alder Creek in Sacramento County. These lands were non-operative as far as the water system was concerned. However, the title to the canal system, water rights and remaining lands of the Natoma Water and

Mining Company was not transferred to the Natoma Vineyard Company until October 31, 1893,-the date of the deed,-which was recorded November 11, 1893.

The interests of the Natoma Vineyard Company in this system were acquired in 1907 by the Natoma Development Company, which, in December, 1908, transferred its holdings to the Natomas Consolidated of California, a corporation now known as the Natomas Company of California. On March 21, 1912, the water system, together with all appurtenant and necessary lands, structures, rights of way and water rights, was transferred to the Natomas Water Company, a corporation formed by the Natomas Consolidated of California for the express purpose of holding and operating its water properties.

The Natomas Water Company claims the right to divert 60 second-feet of water from the South Fork of the American River.

Water is now diverted from the South Fork of the American River by a dam of granite rubble 290 feet in length, built in 1868. The main canal was enlarged in 1913, has a capacity of sixty cubic feet of water per second and is slightly over 18 miles long, 11800 feet of which has been concrete lined. The Valley Lateral is 8.4 miles long. The Mormon Island Lateral, the Folsom Lateral and the remaining distribution ditches make a system comprising approximately 37 miles of canals.

The principal water supply for the town of Folsom is chlorinated before entering the concrete storage reservoir. From here the water is transmitted through a 12-inch machine-banded redwood stave pipe to the distribution system, which consists of approximately 21,000 feet of mains varying from 3/4 of an inch to 12 inches in diameter.

The storage facilities provided on this system are very limited. Willow Hill reservoir, of approximately 100 acre feet storage capacity and the Buffalo reservoir with a capacity of 104

acre feet are available for irrigation; Folsom reservoirs Nos.1, 2 and 3 are used for the domestic supply for the town of Folsom and vicinity. Folsom Reservoir No.3 is concrete lined and has a capacity of 1,600,000 gallons. The other two reservoirs are used now only to provide auxiliary or emergency storage.

All distribution on this system, whether for irrigation, mining or domestic use, is by gravity.

On December 31, 1921, there were 250 active services in the town of Folsom, which has a population of about 1000 people. In 1920 there were 1449 acres of land irrigated on this system and 1415 acres in 1921.

According to the best information available, the Natomas Company of California in 1921 used for mining and other purposes 293,915 miner's inch days, and 329,342 miner's inch days in 1920.

The present rates charged by this utility for water service have been in effect for a great many years and have never been fixed by the Railroad Commission.

These rates as on file with this Commission are as follows:

FOR DOMESTIC AND OTHER SERVICE  
IN TOWN OF FOLSOM AND AT NATOMA, CALIFORNIA.

Dwellings, house and one lot.....	\$ 12.00	per year	
Dwelling house and two lots, in garden or lawn.....	15.00	"	"
Stores, saloons, boarding houses, blacksmith shops, private stables, Chinese laundries, offices, restaurants, water wheels, pasture (each tap) and cemeteries*.....	12.00	"	"
Livery stables and ice factories.....	60.00	"	"
Slaughter houses.....	24.00	"	"
Butcher shops, where refrigerator is maintained, and hotels.....	36.00	"	"
Water tank, water supplied to Southern Pacific Company for locomotive, station and grounds.....	372.00	"	"
Transformer Station (special), Western Gas and Electric Company.....	180.00	"	"
Swimming Tanks (special).....	84.00	"	"
Gardens, according to number of lots, at rate per lot of.....	12.00	"	"
*Ordinary charge for cemeteries \$12.00 per year; exceptions to this rule are as follows:			
Special rates were made owing to the laying of a supply pipe from main by the following named organizations at their expense:			

Jewis Cemetery.....	\$ 6.00	per year.
Odd Fellows Cemetery.....	10.00	" "
Masonic Cemetery.....	10.00	" "

#### IRRIGATION

Per acre per year for bearing orchards, vineyards and alfalfa.....	\$5.00
Per acre per year for non-bearing orchards and vineyards.....	3.00
Water consumed by Natomas Consolidated of California in orchard and vineyard and rock crushing enter- prises, per miner's inch 24 hours.....	0.07

#### DREDGE MINING

For Gold Dredges of Natomas Consolidated of California,  
per miner's inch for 24 hours at rate of 7 cents.

The miner's inch used as a unit of measurement on this  
system is equivalent to 1/50 of one cubic foot  
per second.

A report was submitted on behalf of the applicant by  
Mr. George S. Nickerson, civil and hydraulic engineer, in which  
he estimated the reproduction cost of the physical properties of  
this system, based upon the cost prices of the year 1919, to be  
\$526,995 and gave the depreciation annuity as \$2,113 and \$1,586,  
computed by the sinking fund method at 4% and 6%, respectively.  
This report did not include an estimate of the reproduction cost  
less accrued depreciation. Applicant conceded that the above re-  
port, based upon the prices of 1919, reflected approximately the  
peak of the post-war inflation of labor and material costs. No  
other appraisement of the entire system was presented on behalf  
of applicant.

A report, compiled by Messrs. R. S. Melvin and M. R. MacKall  
of the Commission's engineering staff and submitted by the latter,  
shows an appraisement of this system, based upon the estimated orig-  
inal cost, amounting to \$300,451 as of November 1, 1921, a replace-  
ment annuity of \$1,138, computed by the 6% sinking fund method, and  
recommending as reasonable the sum of \$15,220 for the annual main-  
tenance and operating expenses.

It is the desire of the applicant to purchase from the

Natomas Company of California the Alder Creek dam and the Alder Creek ditch. The Commission is asked to determine the service value of this property to the water system and to include the amount so determined in the rate base for the purposes of this proceeding. This ditch is being used at present by the applicant to deliver irrigation water to the American River Canal of the Natomas Mutual Water Company and thence to the Valley Lateral. Testimony was submitted to the effect that the Natomas Consolidated of California constructed the Alder Creek dam several years ago, at a cost of approximately \$21,000, for the purpose of impounding the muddy water, or tailings, from the gold dredges; also that the Alder Creek ditch was enlarged and lined with concrete in 1921 by the Natomas Company of California at a cost of \$7,810.

It appears, from the evidence, that as far as practical value goes, the advantages afforded by the Alder Creek dam are so slight that the Commission would be unwarranted at this time in considering it as a necessary and vital adjunct to the water system. It further appears that the Natomas Company of California, in dredging out a considerable portion of the Buffalo Creek Channel, destroyed applicant's sole means of delivering water to the Valley Lateral through its own ditch system, making it now necessary to use the Alder Creek ditch and the American River Canal of the Natomas Mutual Water Company, in order to serve its patrons on the lower end of the system. It would seem that it is incumbent upon the Natomas Company of California, at its own expense, to restore to the applicant a canal, ditch or other method of conveying water to the Valley Lateral, having a capacity equivalent to that which it has destroyed. As this obligation has not been satisfactorily discharged it would be improper for the applicant to add to its burdens, and thereby add to the burden borne by its consumers, by the purchase of the Alder Creek ditch and dam.

The applicant submitted an estimate of the future annual operation expenses amounting to \$16,798. The principal differences between this estimate and the one presented by the engineers of the Commission lie in the allowances for ditch cleaning and the painting of flumes.

From the information presented, it is believed that the additional amount claimed by applicant for ditch cleaning is not warranted; however, the sum of \$580 for the painting of flumes is not unreasonable, and will be allowed.

A careful consideration of the evidence leads to the conclusion that \$15,800 is a reasonable amount for the annual operating and maintenance expenses, and that the sum of \$300,451 with a corresponding replacement annuity of \$1,138, represents the fair and reasonable investment in used and useful properties in this system for the purposes of this proceeding.

Following is a summary of the annual charges based upon the figures outlined above:

Return at 8% on \$300,451.....	\$24,036
Replacement Annuity.....	1,138
Maintenance and Operating Expense.....	15,800
Total.....	\$40,974

The revenues for 1920 were \$35,059 and for 1921 they were \$32,554.

From the above it is apparent that the applicant is entitled to an increase in revenues.

In the past the applicant has consistently pursued a policy of denying applications for the extension of irrigation service to new consumers or furnishing water for additional acreage to old consumers. Irrigation service being on a flat rate basis, there are no accurate water measurements available to determine the actual use of water. Measurements of water used for dredge mining are equally unreliable. No doubt there has been wasteful and unnecessary

use of water on this system, as is usual when flat rates are charged. The demand for water in the territory served by the applicant has increased to such an extent that conservation of the supply is urgently needed. This can be accomplished to the best advantage of all concerned by the adoption of a measured rate for all irrigation, mining and similar service. The sale of irrigation water on a measured basis will practically eliminate carelessness and waste in distribution and use. Further economies in the use of water may be effected by the adoption of reasonable and necessary rules and regulations governing irrigation and all other uses, requiring among other things the delivery of irrigation water to consumers upon a fair system of rotation and also requiring the continuous use of water both day and night during the period of delivery, when conditions demand.

The saving gained by the methods outlined above should make available sufficient water to accommodate all reasonable requirements, including a certain amount of new business, and a campaign to secure additional consumers and additional acreage, to make use of the additional water made available,--rather than the discouragement thereof as in the past,--unquestionably will be productive of increased revenues.

Considerable controversy developed during the hearings in this matter involving the status of certain contracts under which the majority of the water users located on the Valley Lateral have been receiving water since 1893 and 1894. It appears that there are ten irrigation consumers who hold contracts made with the Natoma Vineyard Company providing (among other things) that water shall be furnished in such quantities as the irrigationists desire at any and all seasons of the year for a fixed sum of \$5.00 per acre per year for bearing orchards, vineyards and other crops, and \$3.00 per acre per year for non-bearing orchards and vineyards. These consumers claim that their contracts are still in force and that as to them the company is not a public utility and the rates fixed by their contracts cannot be



changed.

This contention cannot be upheld. The evidence is clear that the canal system and the water originally appropriated has been from the beginning impressed with a public use. When the Natoma Vineyard Company acquired the system from Natoma Water and Mining Company on November 11, 1893, it acquired a public utility system. It could not change the character of that system. Nor could it, by contracts made either before or after it acquired the system, carve private rights out of the public use to which the system had been devoted. These contracts, in so far as they purport to grant special rights in the public utility water system acquired by the Natoma Vineyard Company, must be deemed to have been made subject to the power of the state to modify or revise in the interest of the public.

Southern Pacific Co. v. Spring Valley Water Co.,  
173 Cal. 291.

Law v. Railroad Commission,  
184 Cal. 739.

The ten contract holders in 1921 used approximately 59% of the entire irrigation water used on this system. It is clear from the evidence that a uniform and non-discriminatory rate which will produce a fair return to the utility cannot be established unless the rates fixed by these contracts are disregarded. It is thought that the public interest requires that this be done. The order will therefore provide for a uniform rate for all irrigation consumers, irrespective of prior contracts.

In order to deliver gravity water to the Valley Lateral, present conditions render it necessary for the applicant to use jointly the American River canal with the Natomas Mutual Water Company, another subsidiary of the Natomas Consolidated Company of California, an irrigation company which obtains its supply of water by pumping from the American River. The Commission must look with

disfavor upon the joint and unregulated use of the same irrigation canal by two companies serving water, which from the different nature of their sources of supply vary widely in the cost of production and delivery. The continuation of such unsatisfactory arrangements is bound to result sooner or later in serious complications. It is, therefore, the desire of the Commission that the applicant eliminate any possible difficulties that may arise from this source in the future by providing, as soon as conditions may permit, a system of water distribution to its consumers which will abolish the joint use of any of its canals, ditches, pipe lines, or other methods of conveyance with any other individual or organization.

Pending the completion of the above changes in the manner of distribution, the applicant should cause to be installed such standard water measuring devices as will enable it to determine at any and all times the amounts or quantities of water delivered by it into the American River Canal of the Natomas Mutual Water Company and the amounts or quantities of water which are delivered from same into the Valley Lateral.

It has been the custom in the past for the applicant to require the water users served by the Mormon Island Lateral to clean, maintain and operate this ditch at their own expense, although these consumers have been charged the same rates for irrigation as prevail on the remainder of the system where all the expense of delivery and maintenance is borne by the water company. This practice is unreasonable and unnecessary and amounts to an unfair discrimination against the consumers on the Mormon Island Lateral. This practice should be immediately discontinued and hereafter the applicant shall accord the same requirements, treatment and privileges to all consumers alike for the same or similar types of service.

The schedule of rates set out in the order which follows this opinion contemplates the placing of all irrigation, mining and other similar classes of service upon a measured basis. In addition

to the flat rates now in effect for domestic and commercial use in and about the town of Folsom, a meter rate will be authorized which will make it possible to reduce to a minimum any waste or carelessness in the use of water. As it is impossible to anticipate the exact extent to which the irrigation consumers will adjust themselves to measured service, the rates established for irrigation and mining must be necessarily more or less trial rates, and therefore should the occasion arise, they are subject to modification through the usual procedure.

Due allowance has been made for the expenditures which will be required to install, operate and maintain the measuring devices necessary to properly carry out the terms of the following order. Taking into consideration the additional revenues which the evidence discloses may reasonably be expected through the service of water to additional acreage, the following rates will yield to the applicant a fair return upon its investment over and above the reasonable costs of operation, maintenance and depreciation.

The following form of order is submitted:

O R D E R

Natomas Water Company having made application to the Railroad Commission as entitled above, public hearings having been held, the matter having been submitted and being now ready for decision,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Natomas Water Company for water supplied to its consumers are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service.

And basing its order on the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State

of California that Natomas Water Company be, and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates for water delivered to its consumers in the town of Folsom and vicinity and in El Dorado and Sacramento counties, said rates to become effective for all water service rendered subsequent to January 31, 1923, except as otherwise provided below:

#### S C H E D U L E    A

##### DOMESTIC SERVICE IN FOLSOM AND VICINITY

(1) Monthly Flat Rates:

The schedule of flat rates now in effect.

(2) Monthly Meter Rates:

For the first 600 cubic feet or less.....\$1.00  
For the next 1400 cubic feet per 100 cu.ft.,..... .10  
For all use over 2000 cubic feet, per 100 cu.ft.,. .08

(3) Monthly Minimum Charges:

For 5/8 inch meters.....\$1.00  
For 3/4 inch meters..... 1.25  
For 1 inch meters..... 1.50  
For 1½ inch meters..... 2.00  
For 2 inch meters..... 3.00  
For 3 inch meters..... 4.00

#### S C H E D U L E    B

##### IRRIGATION, MINING AND SIMILAR SERVICE.

For each miner's inch flow of twenty-four  
(24) hours.....\$ .08

Fifty (50) miner's inches shall be taken as the  
equivalent of one (1) cubic foot of water per  
second.

AND IT IS HEREBY FURTHER ORDERED:

(1) That the Natomas Water Company be and it is hereby directed to install standard measuring devices for all services where the water delivered is to be charged under Schedule B, as set out above.

(2) That until such time as the Natomas Water Company shall have installed standard measuring devices on irrigation ser-

vices, such services shall be billed under the former per acre flat rate.

(3) That the Natomas Water Company file with the Railroad Commission within thirty (30) days from the date of this order, rules and regulations governing service to its consumers, said rules and regulations to become effective upon their acceptance by the Commission.

(4) That January 25, 1923, be and the same is hereby designated as the effective date of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 31<sup>st</sup>  
day of January, 1923.

H. B. Brundage  
J. W. Martin  
Charles H. Lovell

Commissioners.